

The complaint

Miss S complains that Vanquis Bank Limited was irresponsible in its lending to her.

What happened

Miss S was provided with a £3,000 loan by Vanquis Bank in January 2023. The loan term was 36 months and Miss S was required to make monthly repayments of £120.30.

Miss S said that when she applied for the loan she was on a low income and benefits and already had substantial debts. She said the loan wasn't affordable and has resulted in her falling further into debt which has negatively affected her health.

Vanquis Bank issued a final response to Miss S's complaint dated 10 October 2024. It said that when considering a loan application, it carries out credit scoring to assess a customer's credit stability and ability to pay. It said it undertook a credit check which showed Miss S was up to date on her accounts and had no county court judgments or defaults recorded. It noted she had around £20,010 of non-mortgage debt outstanding but said that based on its income and expenditure assessment the repayments for this loan were affordable.

Miss S referred her complaint to this service.

Our investigator thought that the checks carried out by Vanquis Bank before the loan was provided were reasonable. As he didn't think these suggested the loan to be unaffordable he didn't uphold this complaint.

Miss S didn't agree with our investigator's view. She said that her income at the time consisted of £1,200 in universal credit and £600 of wages. She said her outgoings exceeded her income and she was paying towards several debts. She said she took out a loan in November 2022, shortly before this loan which should have raised concerns. She accepted that she had a good credit score but said the affordability of the loan wasn't properly considered and she wasn't asked for any proof of her income. She said she was in extreme financial hardship and had fallen behind with her priority bills.

Our investigator responded to Miss S's comments but as these didn't change his view, this case has been passed to me, an ombudsman, to issue a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the

total cost of the credit.

Miss S was provided with a £3,000 loan with monthly repayments of around £120. Before the loan was provided, Vanquis Bank asked Miss S about her employment, income and expenses and asked about the purpose of the loan. Miss S declared that she was self-employed with a net monthly income of £2,500 and provided details of her monthly expenses. A credit check was undertaken and while this showed she had outstanding non-mortgage debt of around £20,010, she was up to date on her accounts and had no defaults or county court judgements recorded. Miss S said the loan was for debt consolidation.

Vanquis also had access to Miss S's Vanquis credit card details and these didn't raise concerns about how she was managing the account. Noting the size of the repayments due compared to Miss S's declared income, that the loan was for debt consolidation and as her credit check nor existing account management didn't raise any concerns, I find the checks carried out were reasonable.

However, just because I think reasonable checks were carried out, this doesn't necessarily mean I think the loan should have been provided. To assess this, I have looked at the information gained through the checks to understand whether this should have raised concerns that meant further questions should have been asked or the loan not provided.

Miss S declared a monthly net income of £2,500 and provided details of her monthly commitments including credit commitments, rent, other housing costs and general living costs. Having looked through the information received, I think it was reasonable that Vanquis Bank relied on this. Based on the information Vanquis received, Miss S had monthly costs of around £1,778, leaving disposable income after her regular costs and before this loan of around £788. I appreciate Miss S has said that her monthly income was lower than she declared, and having looked through the statements she has provided, her income appears to be around £2,000 a month. Had this income been included in the assessment, this still wouldn't have shown the loan to be unaffordable and while it would have left very limited income for any unforeseen costs, as this loan was intended for debt consolidation this should have resulted in Miss S's overall commitments reducing.

Taking everything into account, particularly that Miss S's credit file didn't raise concerns about how she was managing her existing commitments, and this loan was for debt consolidation, I do not find that I can say Vanquis was wrong to provide this loan.

I've also considered whether Vanquis acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with Miss S might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Vanquis lent irresponsibly to Miss S or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 14 April 2025.

Jane Archer
Ombudsman